

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 1699 – HB 1879**

March 2, 2009

**SUMMARY OF BILL:** Authorizes a maximum cumulative lifetime exclusion of \$1,000,000 for the purpose of determining net taxable gifts as it relates to the Gift Tax. Reduces the inheritance tax exemption level by the amount of the lifetime gift exemption applied against net taxable gifts.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact - \$11,000,000**

Assumptions:

- According to the Department of Revenue (DOR), a relatively small proportion of annual gift tax returns would exceed the lifetime exclusion proposed. Therefore, a majority of gift tax collections are expected to erode as a result of this bill.
- There could be an offsetting increase to inheritance tax revenue as a result of the exemption level being reduced by the extent of any gift tax exclusion that was utilized on a gift tax return.
- The fiscal impact of this bill is dependent upon multiple unknown factors such as the number of gifts that would no longer be taxable, the extent of what those gifts might be, the extent of gift tax exclusions taken, the number of inheritance tax returns impacted as a result of beneficiaries applying gift tax exclusions to inheritance tax returns, and the values of the estates that gift tax exclusions are applied. As a result, determining a precise fiscal impact for this bill is difficult. However, based on information provided by DOR, the net decrease to state revenue is estimated to be \$11,000,000 per year.

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**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

/rnc